

KYRGYZ AGRO-ENTERPRISE DEVELOPMENT PILOT PROJECT



Pioneering The Development of Agro-input Business In Southern Kyrgyzstan

**A USAID Funded Project
Implemented by**



Muscle Shoals, AL USA

Kyrgyz Agro-Input Enterprise Development Project

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The vision of the Kyrgyz Agro-Enterprise Development (KAED) pilot project is to improve the productivity and profitability of the agricultural system in southern Kyrgyzstan, thus reducing rural poverty and increasing social stability in the region. The mission of the project is the development of a trade association of private agribusinesses that delivers appropriate and high-quality inputs and information to farmer customers. The goal is to position the association to provide communications, educational and training programs and engage in advocacy to enable growth of competitive enterprises. This activity contributes to achieving the USAID Mission SO 1.3 by promoting the expansion of a private sector-led economy and the growth of successful small and medium enterprises.

IFDC management arrived in Osh on November 11, and the project was fully staffed and operational by December 26 (KAED implementation was delayed approximately 2 months following the events of September 11, 2001). In the 9 months during which the full staff has been in the field, KAED has made excellent progress and has built a sound base for the second year of the pilot and future development initiatives.



Pictured above is the KAED Project Staff for year one.

The Association of Agribusinessmen of Kyrgyzstan “Jer-azigy” (Food for the Land) is registered and active. AAK has an involved board of directors. Its five committees for fertilizer, seed, crop protection products (CPP), marketing, and advocacy are working with the KAED staff to design programs that AAK members want and need. The association is building financial resources in several ways and will collect the first dues from members and fees for services before the end of the year. The AAK bank account stands at 117,795 com or about \$2,600 – a small step towards future sustainability.

Since February 2002 KAED staff have conducted monthly village-level meetings at 12 locations throughout the oblasts of Osh, Jalal-Abad, and eastern Batken to introduce the project and to conduct the grassroots-level work of identifying entrepreneurs, building trust, and providing services of value to future association members. Each meeting included at least one and often two short training modules coordinated by KAED support units for busi-

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ness development and agronomic services. Local experts and other donor programs added value to the training sessions, which ranged from pesticide safety to credit availability and criteria, from customs law and land law to principles of integrated pest management in cotton, from the introduction of the principles of a business plan to nutrient uptake and water management in maize, from explanation of trade association bylaws to training in strategic planning and advocacy. Twelve modules were presented at 72 venues with a total attendance of 862.

At the three Technology Transfer Center (TTC) field demonstrations, 50 varieties covering four traditional spring crops and one new crop, soybeans, were planted with multiple fertilizer treatments and properly applied CPPs. Fifteen field days were held for AAK members and for Rural Advisory Services (public extension) and other donor programs. AAK members often brought their farmer customers informally to see the fields. At formal field days, local experts conducted practical training sessions on such topics as safety clothes for CPP application and best management practices for different crops.

Three main constraints have significant impact on the activities of KAED and the members of the trade association. The first constraint is the contraband and border situation with Uzbekistan. IFDC has determined that 97% of all fertilizer and 100% of all CPPs enter southern Kyrgyzstan illegally to avoid payment of customs

and value added tax (VAT). The result is significant corruption and bribery throughout the region. There is virtually no enforcement of laws that would apply penalties to illegal traders while supporting the activities of legal businesses. The second constraint is the over-regulation, inspection and reporting, extortion of rents and bribes, and general harassment of legal

businesses. This leads to reluctance on the part of entrepreneurs to become visible members of AAK or to share information about their business with KAED. The third constraint is lack of credit for working capital to purchase inputs or for production (in the case of seed). The current land law restricting the use of agricultural land as collateral and the reluctance of financing institutions to give any value to real estate such as houses or warehouses outside of Osh and Jalal-Abad limit the ability of small businesses to invest in their own growth.



The project's Chief of Party, Chan Sieben and Agronomist, Jyrgalbek Musayev inspect cabbage in the drip irrigation portion of the demonstration plot.

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The strategy to overcome these main constraints is to market and promote the quality of legal products handled by AAK members, to introduce products of high performance that are unavailable as contraband, to facilitate credit applications and provide risk reduction for lending institutions through a pilot credit guarantee fund, and to engage the government and parliament in civil dialogue through the policy/advocacy committee of AAK. It will take time and hard work by both the KAED staff and the entire membership of the AAK to effect changes in the system to encourage private sector enterprises to grow

and to deliver consistent high-quality fertilizer, seed and CPPs to farmer customers in southern Kyrgyzstan.

Now a more complex and difficult work begins: Encourage association members to invest ownership in the AAK for the sake of the next generation and help them change the inputs delivery system and business environment which will lead to improved productivity and profitability of the agricultural system in southern Kyrgyzstan. The result should be a reduction in rural poverty and increased social stability in the region.

On the following pages, “Success Stories” are included to lend a human perspective to the KAED project. Development is not only measured by statistics, charts, graphs and tables but also by its impact on people, which may be even more important. Here are a few examples of the people in AAK and how the programs and activities supported by USAID through IFDC and the KAED pilot project have impacted their lives.




Members of the Association of Agri-businessmen of Kyrgyzstan-“Jer-Azigy” field questions to the Deputy of Parliament during the Association’s first general assembly.

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Success Stories


Hamidullo Hashimovich Dehkanbaev of the Somi-Karimov Seed Farm in Uzgen purchased a motorized back-pack sprayer through AAK. He attended the pesticide safety demonstrations held early in the spring and was impressed with the apparatus. Mr. Dehkanbaev began applying pesticides on his fields of rice, an important crop in the area, which is difficult to treat because of flooded paddies. One month later he reported that he had a waiting list of clients, and he would more than pay for the machine in 2 months. Other entrepreneurs have been impressed by his success and are following his example.



There has been no licensed distributor of CPPs in the south. Facilitated by KAED, Mr. Asylbek Sharipovich Jeenbekov was able to arrange a meeting with the BASF representative from Kazakhstan in Bishkek. Jeenbekov is president of AgroVetService and president of AAK. He is now the first licensed BASF dealer in Kyrgyzstan and has imported \$5,000 worth of products for cotton production application. He plans to develop a retail chain and would like KAED to provide training in safety and marketing through the trade association.



The president of Ulan Dukony, Ltd., Mr. Abdy Salamovich Kazatov, has been observing the results of the KAED field demonstration near Osh. He lives in Osh and operates a greenhouse in Nookat. KAED, in cooperation with Mashav, installed a drip irrigation system at our Osh demonstration field. The system began operating on July 26, when second-crop vegetables including kohlrabi, zucchini, and sweet corn, which are new to the region, along with standards like cabbage and cucumbers were planted. He was surprised that a zucchini plant could produce a 1 kg zucchini after only 5 weeks. In mid-September he paid \$200 for the system and will install it in his greenhouse immediately.



In June KAED funded a mini-trade mission to Kazakhstan and northern Kyrgyzstan. Six wheat seed growers attended a tour sponsored by the International Maize and Wheat Improvement Center (CIMMYT) to inspect new varieties and new planting technology. Mr. Sabir Sadikjanovich Atajanov, President of the Tameki Cooperative seed farm in Uzgen, attended. He and two others purchased three new varieties from CIMMYT to introduce in the south – the first new legal varieties in 10 years. But there is more to the story. In late August more than 20 small seed growers attended a meeting at the AAK

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offices to discuss the new seed lines with the larger producers. They agreed to buy the certified seed next season from the large producers and to multiply the seeds so these new varieties can be rapidly expanded and introduced to a large number of farmers by 2004. This is a true multiplication system for improved varieties produced by the private sector.



When KAED selected the locations for our three Technology Transfer Centers, (TTCs) demonstration fields, we first tested the soil for nutrients. All three were either very low or deficient in phosphate and potash; we expected this situation as these fertilizers have not been used for more than 10 years. We selected potato as one of the crops because it is an important staple and the fifth most widely grown crop in the region. We expected that it could be harvested early as there were improved varieties available from Dutch and German projects, and a good response to P and K was expected. The response was remarkable! Average yields using balanced fertilization were 10% higher than yields with 30 tons of manure/ha. Improved varieties yielded twice as many potatoes compared to the variety purchased in the bazaar, and the best of the improved varieties tripled the production. Returns over all costs (including labor) averaged \$2,000/ha and reached \$2,800/ha with the best-yielding variety. Our clients are not only looking for P and K fertilizers; they have bought out the available seed production from both donor projects!



Kyrgyzstan wheat seed growers participate in a KAED funded mini-trade mission to Kazakhstan and northern Kyrgyzstan. The tour was sponsored by the International Maize and Wheat Improvement Center (CIMMYT).

IFDC is proud of the success realized not only by the project in the Krygyz Republic but also by similar projects underway in Azerbaijan, Malawi, Nigeria, and Ghana. Through our successes in Albania, Kosovo, and Bangladesh, IFDC has developed a proven track record working with the agricultural sector.